Land And Houses Pcl (LH TB) - BUY, Price Bt8.75, TP Bt11.00

Results Comment

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Decent 2Q22, in line

- LH reported a good and in-line 2Q22 core profit of Bt1,938bn, up 3% y-y and 4% q-q. Extra items were Bt201m gain; Bt555m FX gain and Bt354m derivatives loss.
- The y-y growth was driven by higher property gross margin and improved hotel business. The q-q drop was owing to falling other income and equity income.
- Real estate sales revenues were Bt8.36bn, down 1% y-y but up a strong 20% q-q on growing revenues on all products; SDH, TH and condos.
- Real estate gross margin was impressive, up 192bp y-y and 77bp q-q to 33.6%.
- Due to country reopening and recovering domestic tourism, hotel revenues increased by 244% y-y and 63% q-q to Bt555m. Gross profit from hotel business of Bt122m, grew from 46m in 2Q21.
- Equity income rose by 1% y-y but down 9% q-q to Bt651m. Lower profit from LHFG by Bt39m y-y and Bt61m q-q to Bt51m in 2Q22 brought down equity income. HMPRO shared higher profit by Bt26m y-y and Bt3m q-q of Bt460m.
- 1H22 net profit accounted for 48% of our full-year forecast.
- 1H22 DPS is Bt0.25/share, XD on Aug 25th, payment date is Sep 9th.

Income Statement					(consolidated)
Yr-end Dec (Bt m)	2Q21	3Q21	4Q21	1Q22	2Q22
Revenue	8,871	6,909	8,915	7,627	9,280
Gross profit	**2,721**	**2,124**	**2,965**	**2,476**	**3,011**
SG&A	1,001	934	1,077	1,006	1,221
Operating profit	1,720	1,191	1,888	1,470	1,790
EBITDA	**2,101**	**1,583**	**2,256**	**1,848**	**2,172**
Other income	130	152	316	235	148
Other expense	0	0	0	0	0
Interest expense	293	285	275	246	254
Profit before tax	**1,557**	**1,058**	**1,928**	**1,459**	**1,684**
Income tax	326	229	440	320	399
Equity & invest. income	644	466	577	717	651
Minority interests	6	(6)	(4)	(1)	2
Extraordinary items	(12)	19	(46)	76	201
Net profit	**1,870**	**1,308**	**2,015**	**1,931**	**2,139**
Normalized profit	**1,881**	**1,289**	**2,061**	**1,856**	**1,938**
EPS (Bt)	0.16	0.11	0.17	0.16	0.18
Normalized EPS (Bt)	0.16	0.11	0.17	0.16	0.16

Income Statement			6M as		
(Bt m)	q-q%	y-y%	% 2022F	2022F	2023F
Revenue	22	5	46	36,835	40,267
Gross profit	**22**	**11**	**47**	**11,723**	**13,101**
SG&A	21	22	48	4,678	5,114
Operating profit	22	4	46	7,045	7,987
EBITDA	**18**	**3**	**46**	**8,710**	**9,702**
Other income	(37)	14	40	949	1,008
Other expense			na	0	0
Interest expense	3	(13)	43	1,155	1,173
Profit before tax	**15**	**8**	**46**	**6,838**	**7,821**
Income tax	25	22	53	1,368	1,564
Equity & invest. income	(9)	1	46	2,979	3,485
Minority interests	na	(66)	(51)	(3)	(3)
Extraordinary items	165	na	na	0	0
Net profit	**11**	**14**	**48**	**8,447**	**9,739**
Normalized profit	**4**	**3**	**45**	**8,447**	**9,739**
EPS (Bt)	11	14	48	0.71	0.81
Normalized EPS (Bt)	4	3	45	0.71	0.81

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	2Q21	3Q21	4Q21	1Q22	2Q22
Cash & ST investment	12,275	4,902	10,331	6,135	4,816
A/C receivable	161	125	170	153	168
Inventory	53,155	51,868	47,256	47,789	48,316
Other current assets	3,183	2,993	2,707	5,450	1,946
Investment	23,920	23,583	24,227	24,921	23,998
Fixed assets	11,542	12,129	11,884	11,772	12,392
Other assets	24,002	23,977	28,623	29,654	29,625
Total assets	**128,238**	**119,577**	**125,198**	**125,874**	**121,261**
S-T debt	23,479	17,511	21,041	19,590	16,168
A/C payable	3,173	2,747	3,184	3,075	3,215
Other current liabilities	3,987	4,137	3,898	4,217	3,939
L-T debt	38,108	37,712	38,050	38,362	38,595
Other liabilities	8,947	8,803	8,379	8,218	8,201
Minority interest	689	695	699	700	698
Shareholders' equity	**49,855**	**47,972**	**49,947**	**51,713**	**50,444**
Working capital	50,143	49,245	44,242	44,867	45,269
Total debt	61,587	55,223	59,091	57,951	54,763
Net debt	**49,312**	**50,321**	**48,760**	**51,816**	**49,947**

Financial Ratios					
(%)	2Q21	3Q21	4Q21	1Q22	2Q22
Sales growth	17.4	(15.3)	9.4	0.7	4.6
Operating profit growth	40.2	(24.7)	17.6	6.3	4.0
EBITDA growth	48.1	(12.4)	24.4	5.1	3.4
Norm profit growth	39.1	(26.0)	4.6	12.3	3.0
Norm EPS growth	39.1	(26.0)	4.6	12.3	3.0
Gross margin	30.7	30.7	33.3	32.5	32.4
Operating margin	19.4	17.2	21.2	19.3	19.3
EBITDA margin	23.7	22.9	25.3	24.2	23.4
Norm net margin	21.2	18.7	23.1	24.3	20.9
D/E (x)	1.2	1.1	1.2	1.1	1.1
Net D/E (x)	1.0	1.0	1.0	1.0	1.0
Interest coverage (x)	7.2	5.6	8.2	7.5	8.6
Interest rate	2.0	1.9	1.9	1.7	1.8
Effective tax rate	21.0	21.6	22.8	21.9	23.7
ROA	5.9	4.2	6.7	5.9	6.3
ROE	14.9	10.5	16.8	14.6	15.2

Sources: Company data, Thanachart estimates

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